

## Message Text

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PRS-01 SP-02 SS-15 /073 W

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O 170730Z JUN 75 ZFF-1

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC IMMEDIATE 9178

S E C R E T SECTION 1 OF 2 ATHENS 4437

EO 11652: GDS

TAGS: PGOV GR

SUBJECT: EMBASSY VIEWS ON GREEK DOMESTIC SITUATION

FOR INTERAGENCY STUDY

REF: STATE 137431

FOLLOWING ARE OUR VIEWS ON THE MATTERS RAISED IN REFTEL. IN ACCORDANCE WITH REFTEL, THE COMMENTS ARE THOSE OF THE EMBASSY ONLY AND DO NOT REPRESENT A FULL COUNTRY TEAM ASSESSMENT. COMMENTS CORRESPOND TO THE SUBPARAGRAPH NUMBERING OF QUESTIONS IN REFTEL.

(A) THERE IS NO DOUBT THAT THERE HAS BEEN SOME EROSION IN CARAMANLIS SUPPORT AMONG ROYALISTS BECAUSE OF HIS FAILURE TO STAND UP FOR THE MONARCHY AND HE IS BITTERLY CRITICIZED AND CONDEMNED BY MANY OF THEM. HOWEVER, THE ROYALISTS DO NOT REPRESENT A MONOLITHIC GROUP AND HAVE NO ORGANIZATION, OR EVEN DIRECT ENCOURAGEMENT FROM THE FORMER KING. WE DO NOT BELIEVE THAT HIS POSITION ON THE MONARCHY HAS SIGNIFICANTLY REDUCED CARAMANLIS PREEMINENT POSITION AS THE SOLE GREEK POLITICAL FIGURE RECOGNIZED AND ACCEPTED AS CAPABLE OF LEADING THE COUNTRY TODAY, AND HIS STANDING BOTH IN POPULAR AND PARTY TERMS REMAINS VERY HIGH.

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(B) WE DO NOT ANTICIPATE ANY RADICAL CHANGE IN CARAMANLIS MANNER OF OPERATING UNDER THE NEW CONSTITUTIONAL SET-UP (AND ASSUME HE WILL REMAIN AS PRIME MINISTER). THERE IS A GENERAL EXPECTATION AMONG CONSERVATIVES THAT HE WILL NOW ADOPT A TOUGHER STAND TOWARD ACTIVITIES OF THE LEFT. THIS IS POSSIBLE, ESPECIALLY IN DEALING WITH DEMONSTRATIONS, BUT WE WOULD EXPECT ANY CHANGE IN THIS DIRECTION TO BE CAUTIOUS AND GRADUAL. FOR THE PRESENT AT LEAST, NEITHER CARAMANLIS NOR HIS IMMEDIATE ASSOCIATES FEEL THREATENED BY THE LEFT, WHICH IS PLAGUED BY INTERNAL DIVISIONS AND SQUABBLING.

(C) THERE HAS BEEN SPECULATION ABOUT A GOVERNMENT OF NATIONAL UNITY FOR SOME MONTHS NOW. WE DOUBT CARAMANLIS WILL OPT FOR THIS, FOR THE PRESENT AT LEAST, UNLESS THE DOMESTIC SITUATION DETERIORATES SUDDENLY AND UNEXPECTEDLY. A MORE LIKELY SCENARIO FOR A GOVERNMENT OF NATIONAL UNITY WOULD BE IN THE EVENT OF A TOTAL BREAKDOWN IN THE NEGOTIATIONS OVER CYPRUS OR ON GREEK-TURKISH BILATERAL ISSUES WITH THE PROSPECT OF POSSIBLE WAR WITH TURKEY. IN SUCH AN EVENTUALITY CARAMANLIS WOULD ALSO FIND THE OPPOSITION PREDISPOSED TO COOPERATE WITH HIM.

(D) STAGNATION, INFLATION AND THE BALANCE OF PAYMENTS ARE THE PRINCIPAL AND IMMEDIATE ECONOMIC RESTRAINTS ON THE CARAMANLIS GOVT. GREECES MILITARY MODERNIZATION PROGRAM IS AN ADDITIONAL FACTOR COMPLICATING ALL OF THE ABOVE. THE GOVT IS TRYING TO STEER A CAREFUL COURSE WITH MILDLY EXPANSIONARY POLICIES. WITH THE PROSPECTS OF AN INFLATION RATE OF 15-20 PERCENT, A CURRENT ACCOUNT DEFICIT OF \$1.3-1.4 BILLION, A BALANCE OF PAYMENTS OFFICIAL FINANCING GAP OF \$650-750 MILLION, AND FOREIGN EXCHANGE RESERVES COVERING ONLY TWO MONTHS IMPORTS, THERE IS OBVIOUS CAUSE FOR CONSIDERABLE CONCERN. THE TOTAL ECONOMIC PICTURE SUGGESTS CONTINUED UNCERTAINTY AND THE POSSIBILITY OF AUGMENTED LABOR UNREST UNLESS THE STAGNATION/INFLATION CYCLE CAN BE CHECKED. NOW THAT THE CONSTITUTION HAS BEEN ADOPTED, AND FOLLOWING ELECTION OF A NEW PRESIDENT, THE GOVT IS LIKELY TO CONCENTRATE EVEN MORE HEAVILY ON THE ECONOMIC SITUATION--  
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AND ESPECIALLY THE NEED FOR EXTERNAL ASSISTANCE.

(E) RECENTLY THERE APPEARS TO HAVE BEEN A SETTling DOWN IN THE RELATIONSHIP BETWEEN THE MILITARY AND CARAMANLIS. THERE IS NO QUESTION BUT THAT THERE CONTINUES TO BE CONSIDERABLE DISSATISFACTION AMONG MILITARY OFFICERS WITH THE GREATER PERMISSIVENESS AND FREEDOM CARAMANLIS HAS ALLOWED THE LEFTISTS. COUP

PLOTTING SEEMS TO HAVE ABATED SOMEWHAT LATELY, HOWEVER,  
AND THE RELATIVELY MORE STABLE SITUATION IS TO A LARGE  
EXTENT DUE TO DEFENSE MIN AVEROFF'S AND CARAMANLIS'  
EFFORTS TO REASSURE THE MILITARY AND KEEP THEM IN LINE.

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC IMMEDIATE 9179

S E C R E T SECTION 2 OF 2 ATHENS 4437

(F) THIS IS THE MOST DIFFICULT QUESTION TO COMMENT  
ON. THERE ARE A NUMBER OF POTENTIAL SUCCESSORS TO  
CARAMANLIS SHOULD HE SUDDENLY AND UNEXPECTEDLY PASS FROM  
THE POLITICAL SCENE, BUT NONE OF THEM SEEMS CAPABLE,  
TO US, OF FILLING HIS SHOES OR COMMANDING GENERAL  
POPULAR AND POLITICAL SUPPORT. (AN EXCEPTION WOULD BE  
IN THE CASE OF WAR WITH TURKEY WHICH, WE BELIEVE, WOULD  
RESULT IN A UNITED GREEK RESPONSE AND THE FORMATION OF  
A GOVT OF NATIONAL UNION HEADED BY A RESPECTED  
FIGURE SUCH AS KANNELLOPOULOS.) THERE ARE NO NEW, YOUNG  
POLITICAL FIGURES WHO HAVE AS YET ACQUIRED SUFFICIENT  
STATURE CAPABLE OF REPLACING HIM. THE SUCCESSION WOULD  
DEPEND ON THE CIRCUMSTANCES OF CARAMANLIS PASSING FROM  
THE SCENE (DEATH, RESIGNATION, ETC.) AND THE SITUATION IN  
THE COUNTRY (ECONOMIC CONDITIONS, RELATIONS WITH TURKEY,  
ETC). WE WOULD EXPECT UNDER PRESENT CONDITIONS THAT  
CONSIDERABLE INTRA-PARTY CONSULTATIONS WOULD TAKE PLACE  
LEADING TO SOME KIND OF TEMPORARY ARRANGEMENTS PENDING  
THE ORGANIZATION OF NATIONAL ELECTIONS.

(G) FACTIONALISM AND DISSENSION OBVIOUSLY EXIST IN ALL THREE OF THE POLITICAL GROUPS MENTIONED. IT HAS ONLY BROKEN OUT IN THE OPEN, HOWEVER, IN PASOK, WITH THE RECENT EXPULSIONS FROM THE CENTRAL COMMITTEE BECAUSE  
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OF OPPOSITION TO PAPANDREOU'S AUTHORITARIAN RULE OF THE PARTY. WHILE THERE ARE SERIOUS DIFFERENCES WITHIN THE NEW DEMOCRACY PARTY, PRINCIPALLY OVER THE ISSUE OF THE MONARCHY, BUT ALSO CRITICISM OF CARAMANLIS ALOOFNESS FROM THE PARLIAMENTARY MEMBERS, THERE IS NO ORGANIZED SPLIT OR FRACTIONALISM WHICH THREATENS PARTY UNITY--AT LEAST NOT AS LONG AS CARAMANLIS REMAINS PRIME MINISTER AND PARTY LEADER. THE CENTER UNION/NEW FORCES PARTY ALSO HAS ITS INTERNAL DIFFICULTIES BUT THEY HAVE NOT SURFACED PUBLICLY NOR DO THEY APPEAR TO THREATEN, FOR THE PRESENT AT LEAST, THE INTEGRITY OF THE CU/NF (DESPITE RUMORS PESMAZOGLOU MIGHT JOIN A CARAMANLIS GOVT). IN SUM, ALL THREE PARTIES HAVE DIFFICULTIES AND INTERNAL INCONSISTENCIES BUT THERE IS NO EVIDENCE TO SUGGEST THAT SPLINTER GROUPS ARE LIKELY, AT LEAST IN THE SHORT RUN, TO BREAK AWAY AND FORM NEW PARTIES.

(H) PAPANDREOU, OR MORE ACCURATELY PASOK, CONTINUES TO WORK HARD THROUGHOUT THE COUNTRY ORGANIZING AND WORKING AT THE GRASS ROOTS. THERE IS NO HARD EVIDENCE THAT THIS HAS LED, AS YET AT LEAST, TO AN APPRECIABLE INCREASE OF POPULAR SUPPORT FOR PAPANDREOU. IN FACT, PAPANDREOU HAS FAILED TO CONTINUE TO STIR THE YOUTHFUL FIREBRANDS WHO WERE HIS STANDARD BEARERS DURING THE ELECTORAL CAMPAIGN LAST FALL.  
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